



SECTION 12

Risk Management and Self-Insurance Premiums

12.1 Agency self-insurance premiums decision packages

Risk management is a key strategy for reducing costs and improving outcomes

Risks are defined as anything that poses a potential barrier to an agency achieving its mandated and strategic outcomes. Risk management refers to the practices an organization uses to manage its risks. Risk management considers environmental, strategic, operational, and financial risks across the organization. It includes identifying, measuring, prioritizing, and responding to risk. Managing risk should be integrated with planning and operational processes and should be part of each decision-making process. The budget submittal offers a means for agencies to describe their risk management strategies, programs and needs.

Use a policy level decision package (9X) for self-insurance premiums

Later in the spring, OFM will notify agencies indicating the incremental change in the agency's self-insurance premiums for 2007-09 and the agency's loss experience. Use a separate policy/performance level decision package with a RecSum code of 9X for agency self-insurance premiums.

Information in the self-insurance premiums decision package

Please address the following topics in the narrative of the self-insurance premiums decision package. However, do not include confidential information related to specific closed/pending claims or lawsuits. Seek advice from assigned agency legal staff if there are questions regarding confidentiality issues.

1. **Self-Insurance Premiums** – Provide the dollar amount of your agency's self-insurance premiums for previous (2003-05), current (2005-07), and upcoming biennia (2007-09) in the decision package narrative. (In the fiscal detail area, enter only the incremental increase or decrease from 2005-07.)

2. **Past Agency Loss Trends** – Summarize your agency’s loss trends during the past five years. Include information to address whether the loss trends match the risks your agency has identified.
3. **Future Agency Loss Trends** – Summarize your agency’s potential future loss trends and explain strategies your agency will use to mitigate/preclude these losses from occurring in the future.
4. **Risk Management Goals and Measures/Recap** – Discuss your agency’s enterprise risk management goals and associated performance measures. Include a recap of the accomplishment of the 2003-05 goals.
5. **Risk Management Executive Order Recap** – Discuss the accomplishments your agency has achieved in response to Executive Order 01-05.
6. **Key Risk Analysis** – Discuss the key risks and challenges of the agency, and the level of risk it is willing to accept.
7. **Risk Management Goals and Measures Planned** – Discuss enterprise risk management goals and performance measures for 2007-09.

Resources to assist agencies

- The Risk Management Division (RMD) of OFM will provide a loss history profile of agency losses, including pending claims. Agencies can contact their assigned risk specialist with any questions about their profile.
- For additional risk management information and resources, including sample decision packages, visit the RMD website at <http://www.ofm.wa.gov/rmd/default.asp>.
- RMD staff is available to assist you with interpreting loss trends and developing risk management goals. Each agency is assigned a risk specialist who can work with you on this important budget item.